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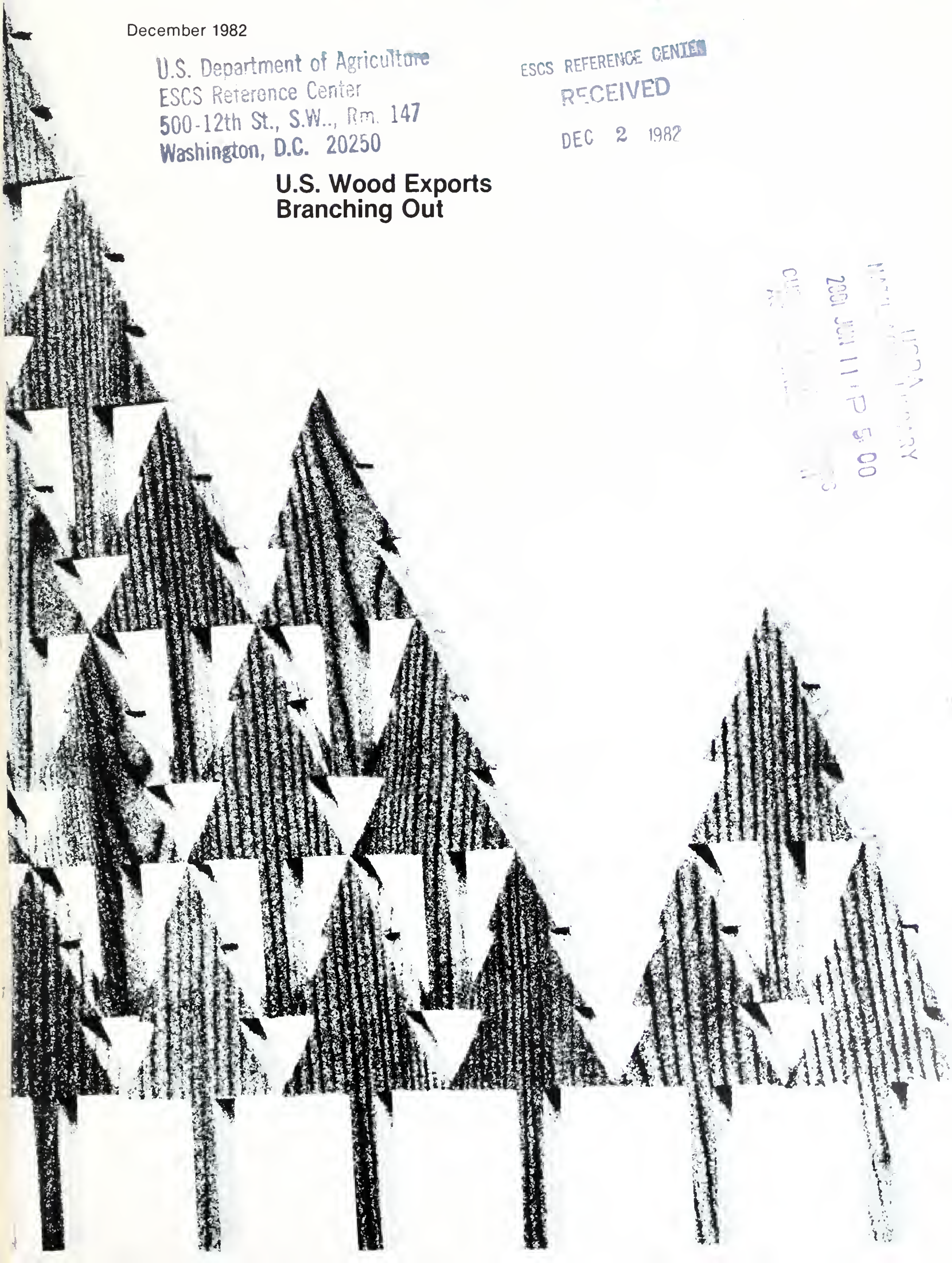
December 1982

U.S. Wood Exports Branching Out



Marketing News

Soybean Market Development Pays Off in Yugoslavia

The **American Soybean Association (ASA)** is expanding its market development projects in Yugoslavia. As a result, it is likely that most of Yugoslavia's 1983 soybean and soybean meal import requirements will continue to come from the United States. In addition to a long-term project on efficient poultry raising, ASA sent two of its specialists to Yugoslavia during 1982. The first was an ASA soy oil specialist who visited six vegetable oil processing and refining complexes and spoke to nearly 100 experts in an effort to improve the quality of domestically refined soybean oil.

With Yugoslavia's 1982 sunflowerseed planted area down 28 percent from a year ago and subsequent lower supplies of sunflower oil, Yugoslavs are showing an increasing interest in proper techniques for refining soybean oil. As a result of a previous visit by the same ASA specialist, a plant in Zadar installed a degumming procedure that greatly improved the quality of oil produced from U.S. soybeans.

Another ASA expert held a seminar in July on the use of soy protein in bakery and pasta products. About 35 people from a variety of local industries attended the seminar, which was organized by Sojaprotein—a soybean crushing plant at Becej.

Wood Trade Fair Set for May

LIGNA 83—the world's largest trade fair for furniture, forestry and woodworking machinery manufacturers will be held May 11-17, 1983, in Hannover, West Germany. More than 1,000 manufacturers from 30 countries will exhibit to an expected turnout of 85,000 visitors. For more information, contact the Hannover Fair's Information Center (800) 526-5978.

The Year of The Sandwich

U.S. Wheat Associates' (USW) Taipei nutritionist reports this is the year of the sandwich in Taiwan. Many bakeries and food service institutes are aggressively promoting and selling sandwiches, and consumers in Taiwan are gradually recognizing sandwiches as handy and nutritious food items. Some 15,000 copies of a new sandwich recipe booklet have been distributed to health education teachers, extension workers, bakers, food service workers and other related groups. USW hopes this will stimulate wheat food consumption and improve eating habits.

USW Focusing on Colombian Market

USW and Colombian flour millers held a grain marketing workshop early this fall in Bogota. Grain traders and an official from the U.S. Grain Inspection Service gave a program designed to upgrade the skills of private millers who are now purchasing wheat directly from the United States. The workshop covered the futures market, contracts and ocean freight. Colombia is a growing market for U.S. wheat and many of the private mills expressed interest in technical knowledge on buying wheat.

Also, three Colombian millers and a government official visited the United States to get acquainted with all facets of the U.S wheat production and marketing system. The groups traveled through Texas, Kansas, South Dakota, Minnesota, Chicago, Washington, D.C. and New York City. Colombia purchased more than half a million tons of U.S. wheat in marketing year 1981 and there is strong potential for greater wheat imports because wheat-based foods are proving to be a convenient food source and are now competitively priced with traditional corn-based foods.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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Features

Departments

U.S. Forest Products Gaining in Overseas Markets

By William W. Westman

Sales of U.S. solid wood products to foreign markets translate into about a $3-billion business for the U.S. industry. And the expectation is that, with an expanded and sustained marketing effort, U.S. exports of solid wood products will more than double by the end of the decade.

Helping to reach this goal, the U.S. forest products industry—one of the largest manufacturing industries in the United States—is now in its third year as a full participant in the Foreign Agricultural Service (FAS) foreign market development program.

The National Forest Products Association (NFPA), which represents the industry and works with FAS to boost exports of U.S. forest products, is comprised of 31 federated associations of more than 2,500 companies.

Although NFPA serves as the coordinating body in the program, NFPA member associations actually conduct the market development activities overseas.

A total of seven NFPA trade associations participated in the market development program in fiscal 1982.

These were the American Plywood Association, Southern Forest Products Association, National Lumber Exporters Association, Northeastern Lumber Manufacturers Association, Western Wood Products Association, Maple Flooring Manufacturers Association and the Fine Hardwoods-American Walnut Association.

In fiscal 1983, it is expected that 15 NFPA associations will participate in the foreign market development program for solid wood products.

Scope of the Trade

The largest share of U.S. solid wood exports consisted of softwood logs—over $1 billion worth in 1981. The remaining $2 billion consisted of softwood lumber and plywood, hardwood logs and lumber and veneer. Also included were pulpwood and a variety of miscellaneous wood products, including millwork, flooring and building boards.

The top export market for U.S. solid wood products is Japan—taking $1.28 billion worth in 1981. The major portion of this trade is in softwood logs ($823 million). Through August of this year, Japan brought $554 million worth of total U.S. softwood-log exports of $786 million.

There is potential for increasing the U.S. share of the $25-billion Japanese market for wood products, particularly the processed products (lumber, plywood, veneer and particleboard). However, to take advantage of this opportunity, significant trade barriers must be overcome.

High tariffs on plywood, veneers and some lumber effectively restrict the U.S. industry from boosting such exports. The American Plywood Association has been working since 1964 to obtain official recognition of U.S. structural plywood for use in Japanese construction.

The U.S.-Japan Forest Products Committee and the industry-supported Lumber Trade Promotion Committee were formed in 1980 to help boost the U.S. share of processed products in the Japanese trade.

West Germany represents another large market for U.S. solid wood products. Shipments of veneer (mostly

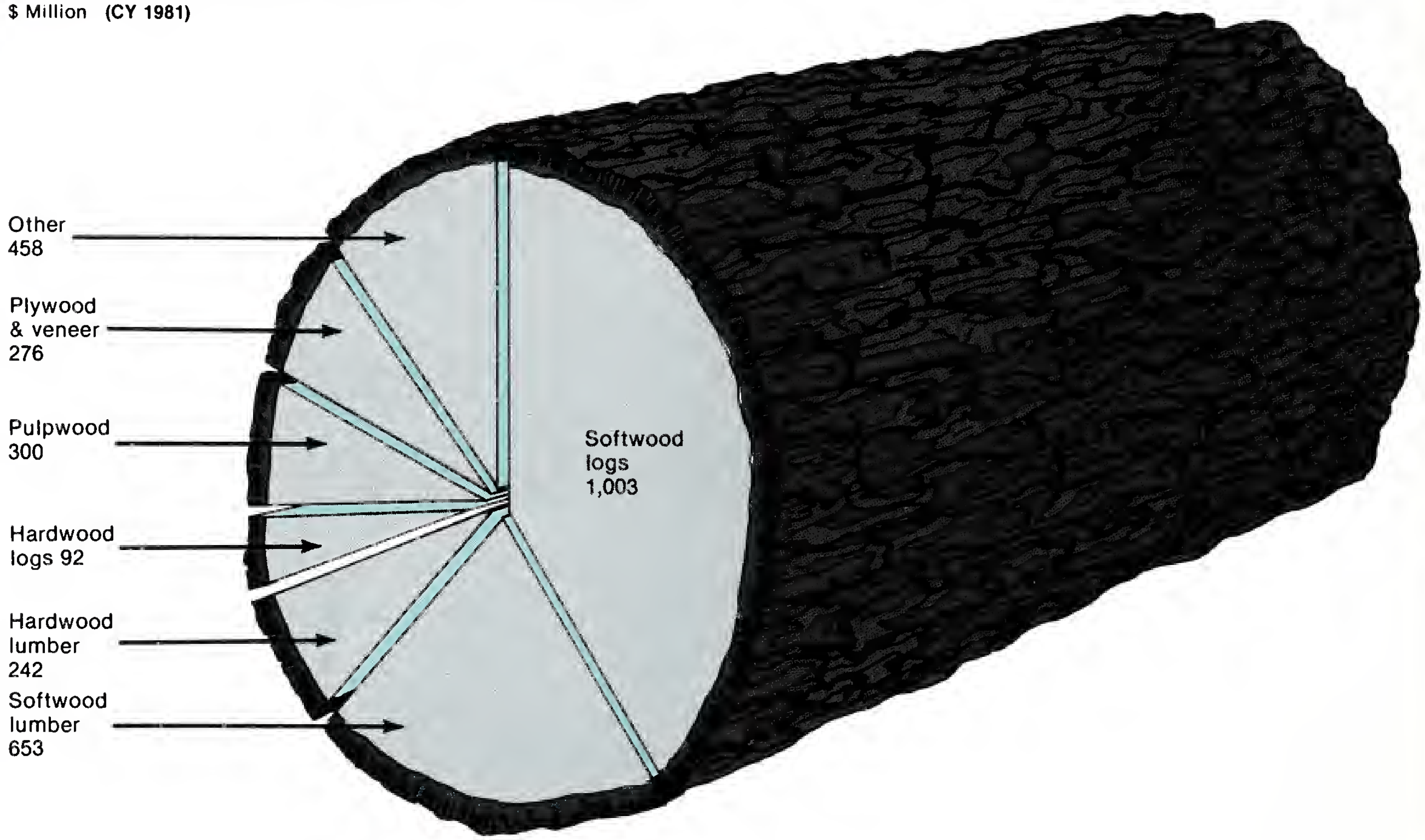
hardwood) accounted for 34 percent of the sales value of U.S. solid wood shipments to West Germany in 1981. The veneer is used primarily by Germany's furniture and paneling industries.

The National Lumber Exporters Association (NLEA) has expanded its market development activities in Germany by placing a representative in USDA's Agricultural Trade Office in Hamburg. The goal: alert European hardwood consumers that American hardwoods offer beauty, versatility, quality and an assured supply at competitive prices.

In the United Kingdom, the British Standards Institute (BSI) is responsible for establishing codes and standards for all lumber products used in construction. Recently, the institute started revising its standards for building practices to include the grading standards of U.S. trade associations.

Softwoods Rank as Top Selling U.S. Wood Exports

$ Million (CY 1981)



Japan Is Top Market for U.S. Solid Wood Products [1]

In thousands dollars, CY 1981

Product	Japan	Canada	West Germany	Saudi Arabia	Mexico
Softwood logs	882,869	31,673	367	798	331
Hardwood logs	8,755	12,945	37,405	268	2,342
Softwood lumber	175,960	23,043	27,966	19,941	43,841
Hardwood lumber	11,782	77,605	31,351	956	5,048
Plywood	1,888	33,346	10,065	8,371	3,319
Veneer	394	13,250	44,129	1,122	5,850
Pulpwood	235,196	11,277	5	0	100
Miscellaneous products[1]	24,350	29,335	14,177	[2] 76,300	38,559
Total	**1,281,194**	**432,474**	**128,060**	**107,756**	**99,390**

[1] Includes wood waste, poles, piles, posts, hardwood floorings, moldings, millwork, wood containers, siding, building products, and other solid wood products. [2] Includes $51.7 million of building products.

A market study by the Northeastern Lumber Manufacturers Association (NeLMA) revealed that the association had not been included on the list of approved grading agencies. The manufacturers groups quickly corrected the situation to ensure its inclusion in the BSI standards list.

Seminars in Latin America

The Southern Forest Products Association (SFPA) and the American Plywood Association (APA) have staged seminars for softwood importers, agents, builders and government officials in several Caribbean and South American countries. Some of these seminars emphasized the virtues of southern pine as well as its quality, grades and sizes for end-users.

Both associations have pinpointed Venezuela as one of the most promising markets for U.S. wood products because of a tremendous demand for low-income housing. The plywood association demonstrated U.S. building techniques in constructing both middle- and low-income homes with U.S. plywood and lumber products. (See following story.)

Tools for Market Development

In fiscal 1981, FAS made available credit guarantees under GSM-102 for exports of softwood lumber and plywood to Jamaica. In fiscal 1982, four other countries—Argentina, Colombia, Uruguay and Venezuela—were approved for GSM-102 coverage of softwood lumber.

The U.S. forest products industry is planning to increase use of credit guarantees as a tool to meet foreign competition and expand U.S. market shares for solid wood products.

The FAS/NFPA market development program expanded in fiscal 1982, its scope of activities in the emerging markets of the Middle East as well as those in the Caribbean/South American area.

In the more traditional markets of Europe and Japan, the program has focused on getting official code recognition for U.S. wood products. Advertising and technical publications have promoted the versatility and energy-saving efficiency of U.S. solid wood products and construction techniques.

Underlying the market development effort is a sustained industry/government commitment to service the export market. In the face of stiff competition, such a commitment can reap, over the long term, great benefits for the U.S. wood products industry and the nation. ■

The author is an agricultural marketing specialist with the Forest Products Staff, FAS. Tel. (202) 382-9431.

Latin America Emerges As Big Market For U.S. Wood Products

By R. Hugh Love

Tiny as sales are now, Latin America and the Caribbean could someday rival Western Europe as a market for U.S. wood products, according to officials of the American Plywood Association (APA).

Europe currently is the No. 1 overseas market for U.S. plywood—taking 487 million square feet, or 71 percent of the U.S. export total in 1981.

The plywood association is one of the many U.S. trade groups working with the Foreign Agricultural Service (FAS) on market development projects overseas. APA is linked with FAS through its affiliation with the National Forest Products Association.

Bronson J. Lewis, executive vice president of APA, says that while the transformation of Latin America into a major market "won't happen tomorrow," it does have tremendous sales potential for the U.S. structural panel industry.

Traditional masonry construction methods and the high cost of non-wood materials have led to an acute housing shortage in much of Latin America and the Caribbean.

Conservatively estimated, the shortage amounts to more than 1 million units annually. Population growth and economic development could aggravate the situation further in the years ahead.

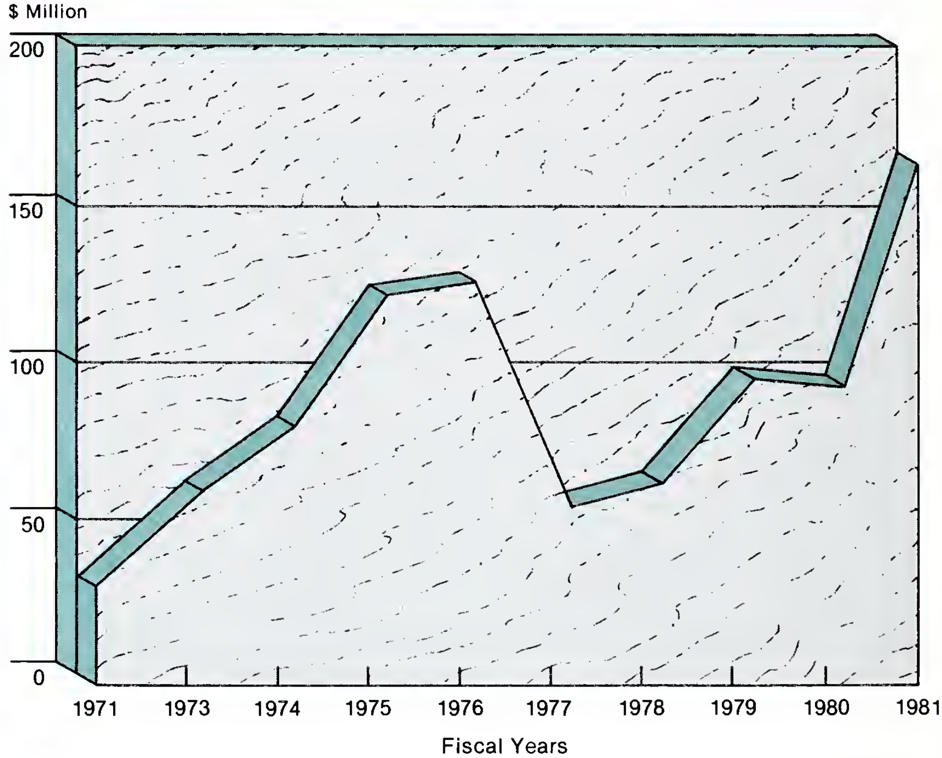
U.S. plywood and lumber construction systems certainly can be a help in solving this shortage, according to APA officials. Aided by FAS grants, the trade group has launched a number of projects to demonstrate how U.S. plywood and lumber construction systems can be successfully adapted to Latin needs.

This "show me" approach has already resulted in sales in Venezuela where several model middle-income homes were erected by a U.S. fabricator near the capital city of Caracas. After seeing the models, a cooperative association of Venezuelans ordered 160 of the units and a larger order is being discussed.

A second demonstration project in Venezuela—featuring U.S. wood products in low-income homes—has also been undertaken in Valencia, 100 miles from the capital.

Similar "show me" projects are also being readied for Chile and Trinidad and several other countries. All aim at educating specifiers and users—in their own language—of the properties and correct applications of U.S. plywood and lumber construction systems. The hope is that such programs can help overcome long-standing national preferences for masonry.

U.S. Exports of Softwood Plywood Jumps in 1981



The huge potential of the largely untapped Latin marketplace has not escaped the attention of other nations, including Canada, Italy, France, the United Kingdom, Australia and New Zealand.

Companies from these countries are aggressively developing manufactured housing projects in several parts of South America. Many of these competitive systems do not utilize wood, which gives them an edge in markets traditionally oriented to non-wood construction materials.

Dave Rogoway, director of information services for APA, has traveled several times to South America and the Caribbean. He says, "To compete with foreign nations, it is essential that we act swiftly to establish working relationships with Latin American and Caribbean governments and potential specifiers and users.

"We must establish interest in our methods and materials before there is an irreversible bias in favor of new non-wood solutions." ■

The author is Director, Communications Division, American Plywood Association, Tacoma, Wash. Tel. (206) 565-6600.

Florida Foliage Blooms At Dutch Show

By Julia K. Garmendia

When most people think of market development for U.S. agricultural products, they think about grains, soybeans, poultry and meat—something edible. But one relatively new program promotes tropical ornamental foliage plants.

The Florida Nurserymen and Growers Association (FNGA) has a cooperator agreement with USDA's Foreign Agricultural Service (FAS) to develop and expand export markets for tropical ornamental foliage plants.

One of their greatest successes thus far has been participation in Floriade '82 in the Netherlands. Billed as the greatest flower and horticultural show in the world, Floriade '82 ran from April to October 1982.

A recent market survey of Western Europe and a tour by horticultural industry professionals indicated that despite lower incomes and reduced household purchasing power, Europeans are buying more potted plants. This trend is similar to one in the United States, but European purchases are much greater. The FNGA felt Floriade '82 would be a perfect showcase for U.S. plants.

European wholesale and retail buyers were unfamiliar with the quality, variety and availablity of U.S. and Florida foliage products. Cracking the European foliage market required effective marketing and promotion.

The first move of the Florida association was conducting a market survey of the export potential for tropical ornamental foliage to Western Europe.

Leaders of Florida's nursery industry spent 18 days touring Western Europe in early 1981 to determine if such a market existed. They found that Europe was a difficult, depressed market for horticultural producers. This stemmed from economic conditions, rising energy and production costs as well as a cold climate and dependency on greenhouse cultures. These factors limit the quantity of mid-range to large plant material available year-round in Europe.

American techniques for production of interior plants differ greatly from European methods. Survey results suggested that U.S. and Florida horticultural products, because of lower production costs, could fill a market void in Europe.

The "interiorscape" (interior landscaping) industry, one of the largest segments of the U.S. foliage industry, is in its early developmental stages in Europe. However, if the development of the European interiorscape industry continues, European growers would realize better profit margins and compete more favorably in their markets with the addition of U.S. and Florida products.

FNGA took into consideration that development of a West European market for U.S. foliage had to deal with the Netherlands' reputation as the center of international horticultural trade. In 1980, the Dutch exported almost $1 billion in nursery products.

Planning and Preparation

In the summer of 1981, members of FNGA's international marketing committee began planning the Floriade '82 exhibit.

After obtaining Dutch approval of the plan, the FNGA sought government participation and funding from FAS and the Florida departments of agriculture, citrus and commerce. The Florida nursery industry also made a sizable contribution.

A major obstacle to U.S.-Florida participation in Floriade '82 was the trans-Atlantic shipment of tropical plant materials. The cost of air shipment was economically infeasible. In the fall of 1981, a test shipment of tropical plants was placed in closed containers for 15 days of simulated transport. Results from this test helped determine exhibition material content and design.

During the trip from Jacksonville to Rotterdam, a mobile laboratory monitored the four cargo containers for temperature, humidity and ethylene buildup. Upon arrival in Rotterdam, the plant material was transported to the Floriade Park, a 125-acre site outside of Amsterdam.

The big day for FNGA had arrived. The U.S. exhibit, largest of the permanent interior displays, featured a 3,000-square-foot tropical garden with an observation deck, a formal pool and a multi-level rock waterfall cascading into a recirculating pool.

Dense exotic palms, fruit-bearing citrus trees, beds of blooming spathiphyllum, colorful crotons and graceful Ficus Benjamina surrounded the pool.

The FNGA's display was quite a success, despite competition from France, Belgium, Germany, the Netherlands, China, England, Italy, Spain and other countries.

The U.S. exhibit was awarded several prizes, proving that the U.S. foliage industry had succeeded in establishing itself in the world market.

Following the success of Floriade '82, FNGA hopes to participate in additional international exhibitions to introduce U.S.-Florida ornamental foliage around the world. ■

The author is the Public Relations Director for the Florida Nurserymen and Growers Association, Inc., Temple Terrace, Fla. Tel. (813) 985-8511.

Subsidies Hurting U.S. Poultry Exports

By Jim Gruff

The U.S. poultry industry has had remarkable success at building export markets during the past decade. However, now this progress has been stopped by the subsidy policies of some foreign governments.

U.S. poultry exporters are losing large chunks of the world's import business primarily because of export subsidies paid by other nations, particularly the European Community (EC) countries and Brazil.

Effects of these policies have hit the U.S. poultry industry this year like never before. The result: the value of U.S. poultry exports will fall in 1982—for the first time since 1970.

Export figures for the first eight months of 1982 indicate the seriousness of the situation facing U.S. poultry exporters. Foreign sales of U.S. poultry during this period were valued at $346 million, about $174 million less than during the same 1981 period.

The continued strengthening of the dollar around the world also has been an important factor in this decrease. However, it is noteworthy that sagging exports of just two commodities to one area—whole broilers and table eggs to the Middle East—accounted for more than half of the January-August decline. This is precisely the region where the United States is suffering most from subsidized competition from EC countries and Brazil.

The Scope of Subsidies

In September of this year the EC subsidy on whole broilers amounted to about $195 per metric ton, or approximately 9 cents per pound. The subsidy on table eggs equaled roughly 11 cents per dozen or almost a penny an egg.

French broiler exporters received at least $41 million in direct EC subsidies, on top of about $371 million from whole chicken exports to non-EC countries in 1981.

Brazilian poultry export subsidies are much harder to pinpoint because Brazil does not use direct payments. Instead, Brazil relies mainly on subsidized credit to poultry exporters, which has been estimated to equal at least $125 per metric ton. This means that, in addition to broiler export earnings of $354 million in 1981, Brazilian exporters may have received the equivalent of at least $37 million in subsidies.

One effect of subsidization is that production no longer relates to domestic demand—and may not even relate closely to export demand.

In the EC, poultry producers are assured of subsidy payments for any quantity exported. Lower prices in

export markets resulting from oversupply are offset by raising the subsidy level. This year, sagging Middle Eastern prices for imported whole broilers have been accompanied by *four* increases in EC export subsidies.

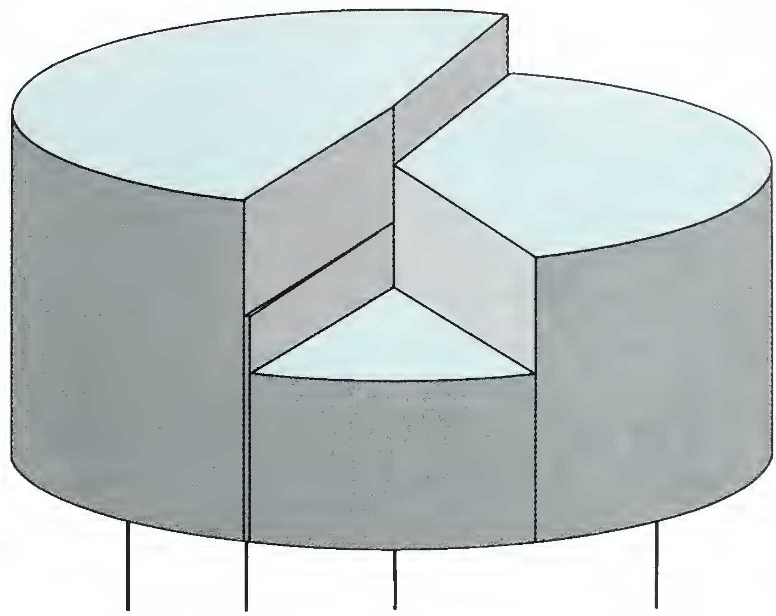
France, for example, is expected to boost its production by 10 percent in 1982, despite only a 3-percent rise in domestic broiler consumption and falling export prices. In 1981, Brazil's broiler production expanded 12 percent, while consumption rose just 2 percent.

Foreign export subsidies work against U.S. exporters two ways. EC and Brazilian exporters receive a significant competitive advantage in the price-conscious Middle Eastern market.

At the same time, these subsidies encourage excess production in the EC and Brazilian export sectors. This surplus output has saturated the Mideast market with whole broilers and eggs, thus lowering prices to levels which U.S. producers can not meet.

EC, Brazil Supply Almost All of Mideast Broiler Imports

CY 1982



	EC	U.S.	Other	Brazil
MT	340,000	1,000	89,000	270,000
%	48.6	0.1	12.7	38.6

Export Situation Brighter For Turkey, Chicken Parts

For other U.S. poultry products, the export situation is not quite as bleak. U.S. exports of turkey parts for the first eight months of 1982 were only 3 percent below the year-earlier figure.

Moreover, the United States is still by far the world's leading exporter of chicken parts. For the first eight months of this year, U.S. exports of chicken parts were running slightly ahead of the 1981 pace.

However, many in the U.S. poultry industry believe that chicken parts will be their next product to lose markets to subsidized competition. In fact, Brazil has already begun to ship chicken parts to the Middle East. And French exporters sent a team to Saudi Arabia earlier this year to assess the market potential for these products.

A Cause for Concern

The present decline in U.S. poultry exports is a cause for concern from several points of view. On the basis of pure economic competition, it would appear that U.S. poultry exporters should be dominant and that exports should be increasing.

Certainly, no other country has better production efficiency or technology. Furthermore the EC—the largest U.S. competitor—is heavily dependent on feed imports, while the United States is self-sufficent.

As well, the U.S. poultry industry has made strenuous efforts to service export markets. Many U.S. companies have become export-oriented, meeting special requirements such as Arabic labeling and Islamic slaughter specifications.

Three Webb-Pomerene export associations have been established (two for broilers and one for eggs) to provide exactly what the Middle East wants—large shipments which are assembled quickly.

Moreover, the American poultry industry has come to depend on exports. In 1981, U.S. poultry exports brought in $770 million, with the volume of broiler exports accounting for 6 percent of U.S. production.

But U.S. poultry producers have been preempted from gaining a significant share of the Mideast market and now have virtually lost those few markets they had in the area.

In the future, other U.S. export markets—such as those that import primarily chicken parts and turkey parts—may be significantly eroded. And this situation has developed, not primarily from economic advantage and free competition, but because of the subsidy policies of foreign governments. ■

The author is an agricultural economist with Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-2461.

Brazilian Broilers: Boom in Exports

By Ron R. Roberson

A relative newcomer as an exporter of broilers, Brazil has taken some giant steps in the past three years to rank among the world's leading exporters—thanks to liberal government help to producers and a concerted effort to tailor products for export markets.

With an increasing amount of its domestic output being diverted to export channels, subsidized broilers from Brazil have become a major U.S. competitor in lucrative Mideast markets. In fact, Brazil has overtaken the United States in these markets this year.

Brazil's growing domestic market provided the initial stimulus for raising the output of broilers in the 1970s. But production in this decade is being stimulated by export markets, especially those in the Middle East.

Under the guiding hand of the Union of Poultry Exporters (UNEF) and backed by a government credit program called Resolution 674, Brazil's broiler exports zoomed from 81,000 metric tons in 1979 to 169,000 the next year. They are expected to be 300,000 tons this year and 330,000 in 1983.

Exports as a percent of domestic production have gone from just 3 percent in 1976 to around 20 percent this year.

Government Credit Fuels Exports

Government credit has played a vital role in Brazil's success in export markets. Under "674," a Brazilian poultry producer can borrow up to 40 percent of the f.o.b. value of the product to be exported. This money is used in producing broilers exclusively for export markets. The loan is made for a 360-day period at 40-percent annual interest rates, a favorable rate when compared to Brazil's commercial rates of more than 100 percent annually.

Although government credit under "674" was recently reduced for some commodities, poultry still remains at the maximum level of 40 percent of its export value. Because of heavy demand, however, credit is becoming tighter in Brazil and the number of loans is less than a year earlier.

While government credit provided the fuel for Brazil's climb toward the top of the export chart, the ability of the poultry industry to gear specifically for export markets has been important, too.

Poultry Industry Growing Rapidly

Brazil now ranks as the second largest broiler producer in the world, behind only the United States. The past decade saw an impressive surge in production as output rose more than sixfold from 1971 to the 1.5 million tons expected in 1982.

The country's rate of growth was not matched by any other major poultry producer during the decade. Domestic consumption, although rising, did not keep pace with production during the decade, thus freeing more product for export markets.

Brazil's production gains are continuing into this decade. Although the growth rate is slowing from 12 percent in 1981 to an estimated 7 percent this year and a projected 3 percent next year, the increases are coming on top of a higher base than the one that existed in the early seventies. The current production uptrend is also being accompanied by a slowdown in domestic consumption.

In the mid-1950s, Brazil's poultry industry was almost entirely based on barnyard operations. A few years later, the industry started on the road to modernization by importing U.S. breeder chicks. Since then, the Brazilian poultry industry has been strongly influenced by developments in the United States.

Following the lead of big U.S. companies, Brazilian poultry producers started to introduce large numbers of improved breeds and to upgrade their technology and equipment. They also began using prepared poultry feeds and instituted programs to control diseases.

Today, Brazil's poultry production consists almost entirely of broilers and eggs.

Along with the spectacular growth in production there were similar gains in the country's mixed feed sector and other important facets of the poultry industry, such as breeder and hatchery facilities and grower and processing operations.

Brazil's mixed feed production has more than doubled since 1970, with the poultry industry using more than half of the annual output. Most of the remainder is consumed by the swine and dairy industries as Brazilian beef is almost exclusively grass-fed.

Breeding Operations: An Important Step

An important step in the expansion of Brazil's poultry production was the development of modern breeding operations. Breeders produce birds from both imported layer and broiler grandparent stock coming mainly from the United States, the United Kingdom and the Netherlands.

Grandparent stock—whose offspring literally lay the foundation for the booming poultry industry—is the only type allowed into the country. They are flown in as chicks, and eggs from these birds are used in the production of parent stock of both layers and broilers. Broiler parent stock has increased to more than 12 million birds, about four times the 1971 level.

The majority of the broiler parent stock is found in the three southern states—Sao Paulo, Santa Catarina and Rio Grande do Sul—near large population centers and export facilities.

Grower operations for broilers range from the small independent producer to large cooperatives, with the average costs for producing broilers and eggs being similar to those in this country.

Unlike in the United States, though, Brazilian birds are raised for separate markets—domestic and export.

Ones for local use are held on farm for 54-56 days and weigh about two kilograms before slaughter, while those for export are kept 41-48 days and tip the scales at about 1.2 kilograms.

The shorter span allows producers for export markets to turn out an average of six "crops" a year. This turnover rate is similar to operations used in France, another major U.S. competitor.

Brazil's modern processing plants are smaller images of those found in the United States, but with some differences in slaughtering, eviscerating and packaging.

The first two of these functions are done mechanically in the United States, but are performed manually in Brazil. Most Brazilian birds are bagged whole, with only about10 percent cut up—mainly to salvage defective chickens. In comparison, U.S. plants usually cut up about 40 percent of their products.

Brazil's Broiler Exports Are Booming

Year	Exports (1,000 MT)	Exports as % of production
1976	20	3
1977	33	5
1978	51	6
1979	81	7
1980	169	13
1981	294	21
1982 [1]	300	20
1983 [2]	330	21

[1] Estimated. [2] Projected.

Tailored for Specific Markets

Like the grower operations, Brazilian processing plants turn out a different product, depending on whether the birds are going to the domestic or export market.

Brazilian buyers prefer a yellow-skinned chicken, while export markets want a white-skinned bird. The skin of broilers is naturally yellow because of the high percentage of corn in feed rations, so Brazilian processors remove the yellow color by scalding the birds at a higher temperature than those going to the domestic market.

As well, packaging is different, depending again on the intended customer. For Brazilians, the head, feet and giblets are packed inside the body cavity, whereas only the giblets and neck are included in birds destined for export markets.

So almost from the day a chicken is hatched in Brazil its destiny is determined. Its route through the chain of production depends on whether it winds up in the local supermarket or on foreign dinner tables. ■

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French Poultry Gaining in Mideast

By James Lopes

France, boosted by export subsidies from the European Community (EC), probably will become the world's largest exporter of poultry meat this year—replacing the United States at the top.

In 1981, these export subsidies amounted to $44 million and represented more than one-tenth of the export value of French poultry meat to non-EC countries.

During January-July 1982, French exports of poultry meat to the Middle East totaled about 114,100 metric tons, up 30 percent from the comparable period a year earlier.

During the same period, U.S. poultry meat exports to the Middle East had fallen sharply.

For the fifth straight year, France's poultry exports in 1981 set a new record high on a value basis. The latest mark of $590 million, excluding $70 million in processed products, was 28 percent greater than in 1980, and almost four times the 1975 level.

The Middle East and Africa, along with the USSR, have become the major markets for French poultry and products.

France's poultry exports to the Middle East rose sixfold during 1975-81 to $254 million. Saudi Arabia is the largest buyer of French poultry in the Middle East, taking about half of the total. But, other countries such as the Yemen Arab Republic, Kuwait, Iran and the United Arab Emirates also have become significant French markets in recent years.

France's exports to Saudia Arabia, which totaled only about 16,500 tons in 1975, reached 93,500 tons in 1981. These sales constituted more than a half of Saudi Arabia's poultry meat imports.

During the same period, U.S. poultry meat sales to Saudi Arabia also rose sharply, but the United States still provided less than 2 percent of Saudi imports.

Price Advantage Favors French

Prices of French poultry sold in Saudi Arabia and other Middle East countries demonstrate how EC subsidies have helped France cut into U.S. poultry sales.

French poultry meat to Saudi Arabia averaged about 60 cents a pound in 1981, thanks to the EC's export subsidy. Without the subsidy, however, the unit value for French poultry to Saudi Arabia would have been 67.6 cents per pound.

In contrast, the U.S. export price for broilers shipped to the Middle East in 1981 averaged about 57 cents a pound.

Even with higher transportation costs, U.S. exporters would be able to compete with French exports were it not for the subsidy. Because of the extra help given to French poultry meat exports, though, the United States is, for the most part, only a residual supplier to Saudi Arabia.

The dampening effect of EC subsidies on U.S. poultry meat sales to other Middle Eastern countries is just as severe as on those to Saudi Arabia.

For instance, the Yemen Arab Republic is now an important poultry meat market, buying more than 90,000 tons in 1981. Aided by subsidies, France supplied more than a third of the total market, while U.S. poultry meat exports were small.

France has been able to boost its share of the rapidly growing Middle East market, which took nearly 800,000 tons of poultry meat in 1981. The French share of the market stood at 24 percent (188,200 tons) in 1981, while the U.S. share (excluding concessional sales to Egypt) remained almost stagnant at around 11 percent, equaling 96,100 tons last year.

The Middle East is not the only area where French exporters are gaining at the expense of their U.S. counterparts. EC subsidies on poultry exports to West European countries outside the EC have enabled France to cut into U.S. exports. These U.S. exports were only 3,000 tons in 1981, or about the same as five years earlier. Meanwhile, France's exports to these countries more than doubled to over 11,000 tons.

The bottom line is that the EC subsidy has made it easy to sell excess production and French poultry producers have responded by raising output for growing export markets. In fact, they see exports of over 500,000 tons by 1985, compared with about 358,000 in 1981.

French Government Also Helps Poultry Producers

The French government also provides financial assistance to their farmers—including poultry producers—in many forms, such as subsidized loans or direct payments. This help is given despite EC regulations that specify that direct national aids and subsidies should not be given because they distort free trade in agricultural products within the Community.

In 1981 France provided $2.9 billion in loans—at low interest rates—to the agricultural sector. And the same amount was budgeted for 1982. But the amount ($426 million) alloted to the livestock sector was raised considerably in the 1982 budget.

Another $1 billion were earmarked to compensate farmers for income loss in 1981, equal to the previous year's level, of which $550 million were used to give direct aid to producers of milk, poultry, oilseeds and other agricultural products. ■

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Trade Updates

Argentina and Cuba Sign Trade Agreement

Argentina has signed a trade agreement with Cuba to run from 1982 through 1985. It calls for Argentina to supply Cuba with the following minimum tonnages every year: corn (100,000), soybean meal (105,000), dry beans (12,000), tallow (8,000) and nonfat dry milk (5,000). Reportedly no credit is involved and prices will be based on the international market price. Compared with trade last year, when no agreement was in place, the minimums represent modest increases for soybean meal, dry beans, tallow and nonfat dry milk.

Canada and Brazil Renew Wheat Agreement

Canada and Brazil have signed a new three-year wheat trading agreement that calls for Canada to sell 1-1½ metric million tons of wheat to Brazil during 1983-85. The current three-year agreement, which expires this year, was for about half the amount of the new agreement. The increased quantity of the new agreement is expected to displace potential wheat sales from other origins, including the United States. The Canadian terms include interest rates based on the Canadian prime rate with a discount of 0.25 percent adjusted every six months.

Bilateral Grain Agreements Increasing

Bilateral grain agreements, long a standard trading practice of centrally planned economies, are catching on fast with other importers, too. The mid-range tonnages of agreements now in effect between grain importing countries (other than the Soviet Union and China) and major U.S. competitors now cover 11 percent of total world imports, up from 8 percent two years ago. General concerns over food security and supply reliability have been responsible for some of the gain. In addition, with the Soviets buying less from the United States and more from other exporters since the 1980 embargo, some importers have turned to supply agreements to ensure supplies from sources such as Canada and Australia.

The growth in supply agreements involving Arab and Middle Eastern countries has been particularly strong. Quantities committed under agreements between these countries and major U.S. competitors have increased almost 70 percent over a two-year period to 5.1 million metric tons.

Mexico also trades heavily under bilateral agreements. Over the past two years, that country has entered into agreements for 1.3 million tons of grain (roughly one-quarter of its estimated 1982/83 total import requirements) from Argentina and Canada. Neither bilateral, however, is likely to be fulfilled at minimum levels. Because of foreign debt constraints, no trade is expected under the Mexican/Canadian agreement.

Poland Desires Pork-for-Soybeans Barter

The Polish Swine Producers Association has indicated interest in participating in a barter agreement with the United States for up to 1 million metric tons of soybeans, soybean meal and corn in exchange for Polish pork and other agricultural products. Since the imposition of martial law, Polish imports of U.S. soybeans have dropped from 242,000 tons in 1980 to 87,000 tons in 1981 and then 47,000 tons during January-August 1982.

United Kingdom Improves Its Grain Exporting Capacity

The United Kingdom is equipping its ports to handle increasing tonnages of grain for the export market. Several ports near the major grain-producing regions of the country are now able to load large ocean-going vessels and a new export berth has been opened in Southampton on the English Channel. A second export facility at the same port will also open soon and by March 1983, a private investment grain terminal in Ipswich (southeast England) will be loading 5,000-ton vessels.

U.S. Corn Re-Enters Malaysia/Singapore Market

A Malaysian soybean crusher has purchased a split cargo of U.S. beans for his own oil mill along with U.S. No. 2 yellow corn for a feed mill operating in Singapore and Malaysia. While this purchase is not large—only 16,000 metric tons are involved—it represents a re-entry of U.S. corn into this market, normally Thailand's exclusive domain.

U.S. Feed Grains Council Responding to New Market Conditions

Spanish merino sheep are growing fat on rations including U.S. corn and sorghum.

By Susan McCullough

Much has been said lately about the changing nature of world feed grain production and trade. Factors involved include surplus production, lagging world demand, and increasingly keen competition among exporting nations for available markets. These elements make the marketing of U.S. feed grains more of a challenge than ever before.

But despite these constraints, and the challenges they pose, the U.S. Feed Grains Council (USFGC) is working to unleash the potential feed grain demand that remains waiting to be tapped despite the short-term obstacles.

What the Council is doing is using tried and true market development techniques in new settings to generate new long-term demand for U.S. corn, sorghum and feed grain products.

USFGC is a Washington-based market development cooperator that also receives funding from the Foreign Agricultural Service.

The Council now working with some of the newest feed grain markets in the world, but its work began more than 20 years ago in some of the oldest markets of Western Europe.

There, beginning in 1960, the Council played a major role in boosting beef consumption in Italy, lamb consumption in Spain and dairy utilization and production in Greece—to name just a few activities that have fueled demand for U.S. feed grains.

Four-Part Marketing

What made those successes possible was a basic four-part technique. After completing surveys of a potential market, the USFGC staff identifies key feed and livestock producers—forward-thinking individuals interested in learning how to improve the efficiency of their operations.

Then, with the help of the Council, the producers form organizations through which they channel requests for technical assistance. Some of that assistance would normally come in the third step: feeding demonstrations designed to show producers how grain-based feeding rations improve both the quality and quantity of livestock production.

Finally, with the livestock sector ready to increase production, USFGC works with consumers to introduce them to new kinds of meat products. This creates the demand needed to use up the now growing supplies.

These techniques have worked, even in markets as developed as Western Europe, where U.S. feed grain exports climbed from 9.7 million metric tons to 17.0 million from 1970 to 1981 alone—a gain of more than 75 percent.

But times have changed since the Council's programs first began in Western Europe. The European Community's Common Agricultural Policy has taken hold in the 20 years since the Council's beginnings.

One result has been stiffer barriers to U.S. feed grain sales to Europe as the Europeans themselves have built up their own grain output. The Council continues to service the trade in Western Europe, but the objective today is less one of market development than of market maintenance: holding onto the U.S. share.

Meanwhile, however, some nations in other parts of the world are becoming poised for an economic takeoff—one which could potentially heighten demand for U.S. feed grains. Generally, these countries share two important characteristics. Their populations are growing, and per capita incomes are on the rise. The first result of this growth is often a demand for better diets, particularly those that include proportionally more meat and less starch.

As the planners in these countries try to meet that demand by broadening their livestock sectors, demand for feed grains starts to rise.

However, translating this potential demand into stronger sales for U.S. feed grain producers can be fraught with problems.

Some of these problems are economic. High interest rates, for example, have contributed to the worldwide slump that has slowed demand for all imported coarse grains.

These interest rates also have lent strength to the U.S. dollar—a strength which has made U.S. products more expensive compared to those of other countries. This puts an added economic burden on some customers during an already difficult economic period.

In the case of Eastern Europe, political as well as economic problems now make it impossible for many countries to import U.S. feed grains to the extent they have in recent years.

Council Shifts Focus

The Feed Grains Council is responding to these changes by regrouping and shifting its focus to other areas where steady growth is more likely. One area of considerable promise is Latin America. The Council opened an office in Mexico City last year and will open a second office in Venezuela this year.

In Latin America as a whole, good growth potential is evident. U.S. feed grain sales there could move to as high as 14.0 million tons by 1986—if a combination of market development, trade servicing and other programs to stimulate demand are brought on-line.

The opening of the Council's Latin American offices will facilitate the day-to-day working contacts with the region's trade and livestock sectors—not only to ring up new sales—but to maintain the market share gained by those sales.

The same is true in another market, the People's Republic of China, where the Council opened an office early this year. China's billion-plus population and a shift in its government policy, will bring greater emphasis on livestock production and improved diets.

This could spur considerable growth in imports of U.S. feed grains in the next four years: from a million tons today to as much as 4.0 million tons by 1986.

Activities planned by the Council include a survey of Chinese feed and livestock production, consultations with feed mill engineers and feed formulation manufacturers and work with both the swine and dairy producers.

In the Middle East and Africa, the techniques that helped create an 800,000-head grain-based lamb industry from scratch in Spain are being used again in Syria and Jordan.

The Council projects that U.S. feed grain exports to Morocco, Tunisia and Algeria could go to 1.5 million tons by 1985. This compares with the current level of 1.0 million tons. Much of this growth will result from efforts designed to expand the sheep sectors of the three countries, as well as programs to stimulate poultry production.

Looking Down the Road

Looking further down the road, the Council is studying ways to help some countries expand their import and transportation capacity. Unless this infrastructure is in place, population growth and increased income will not be enough to generate sustained demand for feed grain imports.

A case in point is Nigeria where, despite a large population and higher income from oil exports, there is relatively little use of grain for feed. Nigerian grain—handling facilities are not yet equipped to handle a large influx of imported grain.

In addition, the country's feed manufacturing and livestock and poultry production systems need upgrading to meet projected future demand from its large and growing population.

Technical assistance from the Council, and U.S. efforts to reduce the 20-percent tariff on corn imports, could bring a gain of more than 200 percent in U.S. feed grain sales to Nigeria in the next four years. The total would climb from the current level of 300,000 tons to 900,000 tons by 1986.

That is the kind of untapped demand that the Council's trade servicing, market promotion and technical assistance programs are designed to unleash.

The goal is gains for U.S. feed grain producers that will add new strength to the U.S. economy as a whole. ■

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Strong Overseas Demand For Dry Peas and Lentils

By Tim Welsh

Behold the humble dry pea and lentil. They're not glamorous, beautiful or as trendy as kiwi fruit and macadamia nuts. But they are high in protein, nutritious, quick-cooking and relatively inexpensive. And in many developing countries, they provide an important element in daily diets.

As an FAS cooperator, the USA Dry Pea and Lentil Council has been touting the virtues of dry peas and lentils overseas since 1965. And the message has come through to foreign buyers. Today, some $106 million worth of those unglamorous little gems find their way onto dinner tables in more than 80 countries.

From 1977/78 to 1980/81, U.S. exports of dry peas and lentils climbed rapidly from just under $19 million to their current level. Although this rate of growth is impressive, it does not tell the whole story.

Each year, more than 70 percent of U.S. dry pea and lentil production is exported. Consequently, growers, processors and exporters of these products depend heavily on a strong foreign market development program.

U.S. production of dry peas and lentils is concentrated in the Palouse country of northern Idaho, eastern Washington and northeastern Oregon. The USA Dry Pea and Lentil Council's home office is located in the heart of this country in Moscow, Idaho, on the Idaho-Washington state line. From here, the Council directs the market development activities of its overseas offices in Europe and the Far East.

This past year illustrates the variety of approaches taken by the Council in its efforts abroad.

They ranged from developing new product uses for dry peas in Japan, Taiwan and Korea to point-of-purchase campaigns in Spain to promote quick-cooking U.S. lentils. The Council also conducted market development survey trips to Europe, North Africa and the Far East—traditional large-volume markets for dry peas and lentils.

The Council also hosts teams of foreign visitors to the United States. In 1981 and 1982, teams from Greece, Taiwan, Japan and Korea visited U.S. facilities to observe production and processing techniques, as well as to talk with U.S. dry pea and lentil marketing groups.

Trade teams, researchers and other individuals from New Zealand, Colombia and Czechoslovakia also visited the Palouse country recently to get first-hand knowledge of farms, processing plants and research programs.

The USA Dry Pea and Lentil Council also uses foreign trade seminars as a valuable market development tool. In April 1981, an FAS-sponsored team of grade specialists visited South America to acquaint buyers with U.S. grades and standards for dry peas and lentils— hoping to improve their products' access to the marketplace.

In Peru, Ecuador, Colombia, Venezuela and Panama, the team met with groups of traders, government officials, researchers and users of dry peas and lentils. These efforts have all paid off—exports in nearly every country visited are on the rise.

Just a few months ago, more than a dozen Americans representing growers, processors and export firms

traveled to England for a council-sponsored trade seminar. Importers, canners and other users of dry peas and lentils from the United Kingdom, the Netherlands, West Germany and Ireland attended.

At the meeting, steps were taken to develop grades and standards for U.S. dry peas used in the European canning trade. And individuals involved in the dry pea and lentil business on both sides of the Atlantic got together to share technical and trade information.

The Council has found this type of seminar very effective in strengthening relations with buyers and plans to use the technique in opening up other markets in coming years.

Future market development efforts for the USA Dry Pea and Lentil Council will be oriented towards potential markets in the developing world. At the same time, they will maintain traditionally strong markets in Europe and the Far East.

About half of the United States' dry pea exports and more than 80 percent of its lentil shipments now go to developing countries. In 1980/81, for instance, top customers for the Council's products included Algeria, India, Egypt, Colombia and Venezuela. The Council believes South America holds potential for even greater purchases of dry peas and lentils, as do some countries in sub-Saharan Africa and Asia.

With Idaho, Washington and Oregon farmers, processors and exporters so dependent on foreign sales, the USA Dry Pea and Lentil Council and FAS will certainly continue to play a big role in market development for the industry in the future. ■

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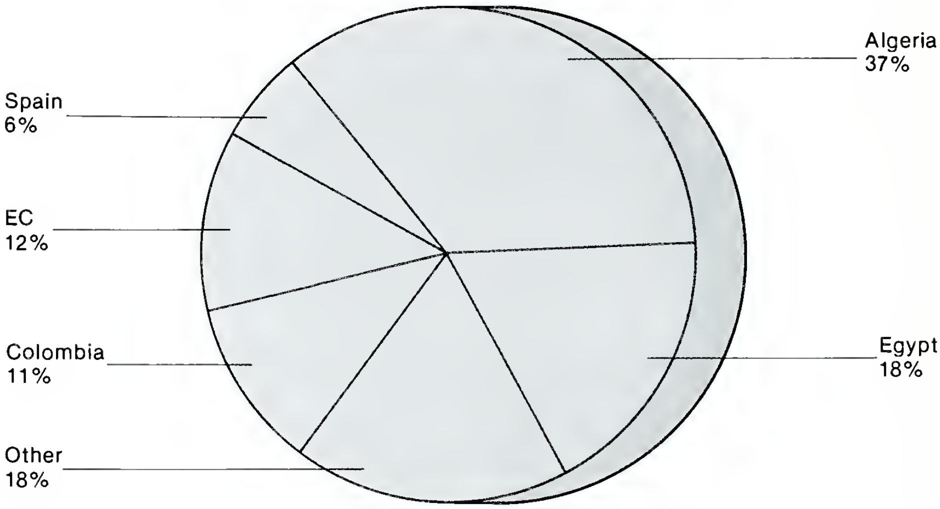
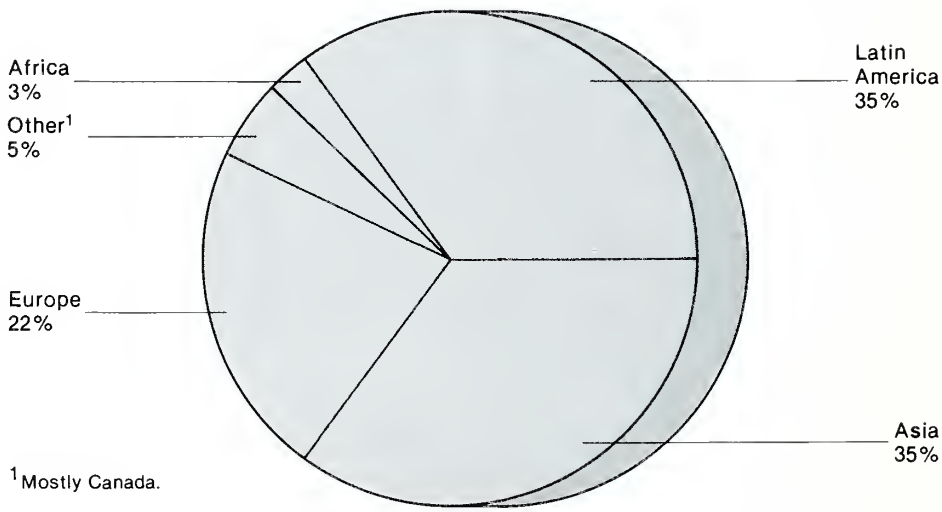
Most U.S. Dry Pea and Lentil Exports Go to Developing Countries

Lentils: 68,207 tons, MY 1981



Dry Peas: 127,102 tons, MY 1981



[1] Mostly Canada.

Eastern Europe: Livestock Goals Caught in a Crunch

By Jim Gruff

Agricultural planners in most East European countries are caught in a crunch between fulfilling ambitious livestock goals to satisfy consumer demand and slowing the drain on foreign exchange, which is needed to buy imported feedstuffs. They are already formulating new policies that will affect the makeup of national livestock inventories.

Their decisions will also impact on feed exports to the region from the United States—one of Eastern Europe's most important suppliers.

If one were to rank the most publicized and best known indicators of the international agricultural situation, livestock inventories in Eastern Europe would probably not be at the top. However, livestock and poultry numbers for the seven countries of Eastern Europe do have important implications for both U.S. agricultural exports and the world agricultural situation in general.

In recent years, East European countries expanded livestock inventories to levels that could not be sustained on domestically produced feed alone.

In order to maintain livestock levels, Eastern Europe has become a large importer of feedstuffs. In 1981, Eastern Europe ranked behind Western Europe and Japan as the largest U.S. export markets by taking about $1.25 billion worth.

In addition, most of the East European countries improved the quality of their cattle herds by buying U.S. semen. Hungary also purchased U.S. breeding cattle.

Foreign Exchange Earner

Furthermore, most of the East European countries have come to view exports of red meat, poultry and live animals as important earners of hard currency. Supplies of foreign exchange are now especially crucial because of the financial difficulties these countries are experiencing.

Romania, for example, has attempted to increase hard currency earnings from livestock exports despite serious domestic shortages of meat.

Eastern Europe is also the major supplier of the Soviet Union—the leading meat importer in the world. In 1981, the countries of Eastern Europe supplied approximately 40 percent of Soviet meat imports of 980,000 tons.

The Soviets have continued to experience serious problems in expanding their livestock production, and Eastern Europe has provided a large part of the increase in Soviet meat imports during the last several years.

The factors determining the size of livestock inventories in Eastern Europe are different from those at work in the United States. In this country, changes in livestock inventories generally result from producer decisions that depend primarily on consumer demand and costs of production.

Factors Affecting Herd Size

In Eastern Europe, however, adjustments in livestock inventories are mainly a matter of national policy. Today, the most important factors influencing the size of livestock herds in Eastern Europe appear to be the domestic feed supply, costs of imported feeds, and national goals for meat consumption and livestock exports.

The size and makeup of Eastern Europe's livestock inventories are, of course, important to many East European consumers who consider the meat supply situation to be a significant indicator of their standard of living. As a result, government policies regarding meat supplies, prices and trade are often considered to be politically sensitive.

Poland is an obvious example of how sensitive meat availability and prices really are. The political unrest in Poland brought into focus the troubles that can be triggered by raising meat prices.

Already new government policies throughout Eastern Europe are being reflected in the size of livestock herds and poultry flocks.

In Poland, broiler production for 1982 is forecast at only one-third of last year's level, partly because scarce credits are not being alloted for feed imports. In Czechoslovakia, concern over the cost of feed grain imports has already led to a 10-percent reduction in hog inventories.

Romania and Yugoslavia also are expected to cut hog numbers this year, largely because of shortages of foreign exchange for feed imports.

One of the major agricultural goals of the German Democratic Republic is to reduce feed imports. Several other East European countries are stressing the development of cattle inventories, since cattle can be sustained on roughages and are less dependent than swine and poultry on feed grains and protein meals, which often must be imported.

Feed-related concerns about the expansion of livestock inventories are likely to continue to plague government planners in most East European countries for some time to come. ■

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Country Briefs

Australia

Barley Imports May Be Necessary

A sharp cut in Australia's malting barley production this year may lead to imports from the United States or Canada in 1982/83. Australia has not imported barley since the late 1960s, but it needs approximately 700,000 metric tons of malting barley to meet domestic and export requirements. Current estimates place 1982/83 supplies at only 400,000 tons. Furthermore, these supplies are available primarily in Western Australia and the cost of transporting this grain to the eastern states, where the brewing industry is located, is greater than that of imported barley.

Dominican Republic

Meat, Poultry Imports Prohibited

The Dominican Republic issued a one-year decree against imported meat and poultry products effective through August 1983 because of severe economic conditions within the country.

All retail and supermarket imports have been cut off. The government may allow domestic meat processors to import products under special permits if money is available to help the employment situation within the processing industry.

Hong Kong

Boycott of French Brandy Could Improve U.S. Sales

Trade sanctions imposed by France on Hong Kong quartz watch exports have prompted a boycott of French brandy imports by Hong Kong's watch manufacturers. If the French government gives no concession on the import quota on Hong Kong exports, the boycott could be expanded—improving the chance for brandy imports from Spain and possibly the United States.

France's import control, which limits Hong Kong-made watches to 5.5 million units for 14 months, became effective in October 1981 and was considered a discriminatory action against Hong Kong. Other items affected by the curb include toys, radios and microscopes. Trade statistics for the first six months of 1982 reveal that Hong Kong's exports of quartz watches to France dropped by 15 percent from the same period in 1981.

Hong Kong imported 6.1 million liters of brandy from France in 1981 and was the top export market for the french wine. Imports in the first six months of 1982 showed a further 19-percent increase over the corresponding period in 1981, pushing France's share up to 98 percent of total brandy imports.

Need for Poultry Imports Grows

The gap between the rising demand and insufficient domestic production continues to offer good oportunities for U.S. exporters of poultry and poultry products to Hong Kong. Increased imports of U.S. frozen chicken and poultry wings confirm that U.S. exporters can successfully compete by offering products that have either a price advantage or more stable supply than those supplied by China, the dominant supplier. However, China will always have a considerable advantage in the Hong Kong market due to its proximity and the penchant of Hong Kong consumers for fresh poultry meat.

Japan

Pork Imports From U.S. Dip

Despite a cutoff in imports of Danish pork into Japan due to an outbreak of foot-and-mouth disease, Japan has not increased its purchases from the United States as anticipated. Import contracts have increased with Canada, Taiwan and Norway. U.S. exports were down from the previous year through September. According to a major Japanese trading firm, the lackluster performance of U.S. pork in Japan was due to its relatively high price, the strong dollar, and a general lack of enthusiasm on the part of U.S. packers to meet the specifications required by Japanese importers.

New ERS Reports Focus on Subsidies in Europe

The European Community will have to reduce its agricultural support programs and export subsidies in order to avert a budget crisis, according to a report by USDA's Economic Research Service. Those reductions ought to make U.S. exports more competitive.

Developments in the Common Agricultural Policy of the European Community examines how the EC's farm program (CAP) may evolve, indicates potential price levels in various European countries, and assesses the implications for trade with the U.S. and other countries.

Sweden, although not a member of the EC, is also reducing its farm programs and farm expenditures. *Sweden's Agricultural Policy*, also published by ERS, is the only report available in English to describe recent changes in Sweden's agricultural policies and programs, including the major provisions of Sweden's 1982-84 farm program.

Two of the major changes dealt with in the report are Sweden's reduced government subsidies for agricultural exports (a major aim of U.S. world trade policy) and its changes in import levies for beef and pork.

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Developments in the Common Agricultural Policy of the European Community, FAER-172. By Timothy E. Josling and Scott R. Pearson. 80 pages, $5.50.

Sweden's Agricultural Policy, FAER-175. By Marshall H. Cohen. 40 pages, $4.00.

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